

STAFF AND COMPENSATION INFORMATION ITEM

EXHIBIT

5

DATE

1/22/09

HB

2

MONTANA UNIVERSITY SYSTEM
RECRUITMENT & RETENTION TASK FORCE

ADVISORY REPORT TO THE BOARD OF REGENTS

IMPROVING THE ABILITY TO HIRE
AND KEEP CAPABLE EMPLOYEES

EXECUTIVE SUMMARY

The Board of Regents directed the Commissioner of Higher Education in November of 2006 to assemble a task force to review employee turnover problems in the Montana University System and identify potential solutions.

CHARGE

The Recruitment and Retention Task Force shall research and recommend ways to improve the Montana University System's ability to attract and keep good employees. The Task Force shall report to the Commissioner and the Board of Regents on its findings in regard to hiring trends, employee turnover, and ideas for improved recruitment and retention ability (*economic and non-economic*).

FINDINGS

The Task Force held several work sessions in the spring and summer of 2007. This report is the product of those work sessions. Members of the Task Force are listed on the final page of this report.

All campuses in the Montana University System are experiencing increasing difficulty in their ability to recruit and retain faculty and staff. The Task Force believes that difficulties in recruiting and retaining employees have already led to substantial negative impacts, and the Montana University System specifically faces difficulty with:

- Securing academic accreditation;
- Recruiting and retaining students until they graduate;
- Maintaining access to facilities and environments that are clean, safe, and conducive to good teaching, learning, and research, and;
- Ensuring a high-quality system of postsecondary education for the citizens of Montana.

Should such difficulties continue, it will be impossible to protect quality and efficiencies in Montana's system of public higher education.

The Task Force has been directed by the Regents and the Commissioner to avoid a "one-size-fits-all" solution, and to look instead for innovative ways of addressing recruitment and retention problems in order of severity. The Task Force recognizes that each campus operates in its own labor market and has difficulty filling some faculty and staff positions. These unique challenges may require different solutions depending on location and mission. Although all efforts should be made to improve across-the-board compensation equity, extraordinary efforts may be needed to fill some critical positions.

RECOMMENDATIONS

(SEE "DETAIL" SECTION FOR MORE INFORMATION)

This report identifies numerous strategies to address these factors and thereby alleviate the system's recruitment and retention problems. Recommendations are presented in the following order: (1.) interests affecting all employee groups; (2.) interests affecting primarily faculty, non-faculty professional level, and administrative employees, and; (3.) interests affecting primarily support staff who are covered by the classified pay plan (*Montana University System Staff Compensation Plan*).

All Employee Groups

1. **Montana University System Pay Plan Process.** *The Task Force recommends :*
 - ***Pre-budget salary planning in the early stages of the executive budgeting process.*** The Montana University System must work to ensure that campuses have adequate resources to provide competitive and adequate compensation levels to its employees. For this reason, establishing a system of pre-budget salary planning is the Task Force's highest priority in addressing the recruitment and retention of system personnel and is essential to securing the needed resources to do so.

- *The use of external comparators in salary analysis for all occupational groups in the Montana University System.*
- *System-wide efforts to address inversion and compression.*

2. **Dependent Partial Tuition Waiver :**

The Task Force recommends the Regents consider increasing the benefit of the dependent partial tuition waiver or Montana University System employees. The Task Force recognizes the considerable potential for an improved dependent partial tuition waiver to provide incentive within all categories of employees to apply, and remain, within the Montana University System.

3. **Housing :**

The Task Force recommends further examination of special programs to help employees purchase homes or pay initial rental costs.

4. **On-campus Child Care :**

The Task Force recommends that campuses consider the feasibility of on-campus child care for the children of campus employees.

5. **Support of Graduate Programs :**

The Task Force recommends better support and visibility of graduate education.

6. **Summer Session Support :**

The Task Force recommends maximum support and marketing of summer sessions. The potential for faculty and staff to earn additional compensation in support of a vibrant summer session is attractive to potential employees. Summer is a wonderful time in Montana – it should be used as a recruitment tool for faculty, staff, and students.

Faculty, Professionals, Administrators

1. **Optional Retirement Program :**

The Task Force recommends ongoing commitment to increasing the employer contribution in the Montana University System Optional Retirement Program (ORP).

2. **Faculty “Start-up” Packages :**

The Task Force recommends increased support for competitive faculty start-up packages.

3. **Merit Pay :**

The Task Force recommends the use of merit pay as a supplement to general pay raises to encourage and support excellence in job performance. The concept of merit pay is also possible for support staff covered by the classified pay plan. The primary focus in this report is on faculty, administrators, and contract professionals. In unionized workplaces, merit pay is a mandatory subject of collective bargaining.

4. **Clinical Track Appointments/non-tenure track faculty :**

The Task Force recommends further development of special “clinical track” appointments for non-tenure track faculty in programs where clinicians are vital to teaching and learning.

5. **Partner Accommodation Policy :**

The Task Force recommends campus-level planning and response for dealing with increasing expectations of prospective employees that spouse/partner accommodations be part of the recruitment package.

6. **“Phased Retirement”/Post-retirement Flexibility :**

The Task Force recommends examination of post-retirement employment opportunities in the Montana University System for members of the Optional Retirement Program (ORP).

Support Staff in Classified Positions

1. **Work Opportunities for Non-full-time Staff :**

The Task Force recommends that campuses ensure seasonal work opportunities are well communicated to part-time employees.

2. **Training and Mentoring :**

The Task Force recommends a strong commitment to training and professional development.

3. ***Flexible Work Schedules :***

The Task Force recommends consideration of “non-traditional” work hours where desirable to the employee and beneficial to the employer’s program.

CONCLUSION

The members of the Task Force cannot express strongly enough their unanimous view that failure to improve our recruitment and retention ability will have further and more severe consequences on the quality of education offered by the Montana University System. We have a high-quality system of higher education that has served Montanans effectively and efficiently through a sustained period of declining state support. The recommendations in this report represent a “short list” of high-priority ways to improve employee recruitment and retention in the Montana University System. Several other strategies were considered, but did not make the short list of high priorities. The Task Force has additional information, data, and documents relating to most of the recommendations contained in this report in the event these ideas are selected to be pursued further.

DETAIL

(expanded version of recommendations)

ALL EMPLOYEE GROUPS

Montana University System pay plan process:

The Task Force recommends pre-budget salary planning in the early stages of the executive budgeting process.

The Montana University System must work to ensure that campuses have adequate resources to provide competitive and adequate compensation levels to its employees. The Task Force, therefore, recommends that the Regents collect and consider specific compensation needs of the campuses in their budget development process, starting a full year prior to the Governor's biannual budget submission. This schedule would allow time for the Regents to consider whether to pursue specific pay initiatives through the budgeting process in collaboration with the Governor's Office. The process for soliciting statements of salary needs throughout the system could vary from "hearing" or "comment" opportunities at public meetings, to public discussions with campus executives, to submission of written statements or proposals for Regents' consideration, or to formal pre-budget deliberations with faculty and staff bargaining units. While the procedure could take a number of forms, it is recommended that such planning be initiated with the 2009-2010 biennial budgeting process.

By not engaging in pre-budget planning and discussion of salary needs in recent years, the Montana University System has simply accepted the legislative allocations made in accordance with the state pay plan – a plan that the university system has little or no capacity to effect. Because employee compensation represents over 80% of the Montana University System budget, the task force believes that continuing to allow compensation budgets to be established by "default" is unsustainable at best, and irresponsible at worst. For this reason, establishing a system of pre-budget salary planning is the Task Force's highest priority in addressing the recruitment and retention of system personnel and is essential to securing the needed resources.

The Task Force supports the use of external comparators in salary analysis for all occupational groups in the Montana University System.

This means the compensation levels offered by competing higher-education institutions are relevant considerations in trying to recruit and retain capable employees in the Montana system. Compensation data from private-sector employers, or public-sector employers outside the higher education system, may also be relevant in some salary analyses. Examples of private-sector comparators include employers with whom the Montana University System competes to hire faculty and other professionals in engineering, finance, economics, nursing, business, etc., and support staff generally. Examples of other public-sector employers include Montana school districts, state, county, and city governments who compete with the campuses to recruit and retain non-faculty professionals and support staff.

The Task Force supports system-wide efforts to address inversion and compression. Regardless of the compensation calendar issues and comparator issues noted above, the Task Force believes relief is needed from two conditions that stress the pay system and hurt employee morale. These two undesirable conditions are known as salary compression and salary inversion. Salary compression and inversion have a long-term effect of inhibiting an employer's ability to retain employees because these conditions are widely perceived as unfair. "Compression" means that market pressures have caused situations where new employees are hired at essentially the same salary levels as those earned by experienced, longer-term employees in comparable positions. Compression occurs with employees in most job groups (*administrative, faculty, non-faculty professional level, and support staff on the classified pay plan*). "Inversion" is similar to compression, but worse. Inversion occurs when market pressures cause newly hired employees to earn more than experienced, longer term employees in comparable positions. Inversion occurs most frequently with employees in faculty, administrative, and non-faculty professional level positions. Inversion is not yet a substantial problem with support staff positions on the classified pay plan.

Compression and/or inversion occur when the salary levels necessary to hire new employees in a competitive market have grown much faster than the pay raises that have been provided to senior faculty and staff over the past several years. Periodically, inversion pools have been negotiated whereby at least some faculty members whose salaries have been inverted by those of newer hires have been given a salary boost to "correct" the inversion. Unfortunately, if funding is not made available on a fairly regular basis, the problem reappears quickly.

Dependent partial tuition waiver:

The Task Force recommends the Regents consider increasing the benefit of the dependent partial tuition waiver for Montana University System employees.

The Task Force recognizes the considerable potential for an improved dependent partial tuition waiver to provide incentive within all categories of employees to apply, and remain, within the Montana University System. Regents policy currently provides a 50-percent undergraduate tuition waiver at a campus of the Montana University System for a dependent of an employee who has worked at least three-quarters time for at least five continuous years. Only one dependent per employee may use the waiver per academic term. An employee may not simultaneously use the staff tuition waiver that is available under a separate policy and have his or her dependent use a dependent waiver in the same academic term. The Task Force makes no specific recommendation for an increased benefit, however, options include: expanding the waiver to greater than 50 percent of tuition; expand to allow use by more than one dependent per employee at a time; expand to allow an employee to use a staff tuition waiver in the same academic term that his or her dependent uses a dependent waiver; expand eligibility by reducing the five-year waiting period and/or reducing the minimum three-quarter-time employment requirement.

Housing:

The Task Force recommends further examination of special programs to help employees purchase homes or pay initial rental costs.

House purchase prices in Montana have risen faster than the salaries of Montana University System employees over the past several years. Many rental markets are also impacted. Housing affordability varies regionally and is best studied by locality. Affordability is particularly pertinent when an employer's competitiveness is critically challenged by other local external factors (*e.g. extraordinarily high demand for labor, very few available workers, and employers offering increasingly attractive salaries, benefits, and other perks*). In such environments, the comparison of salaries to housing costs is all the more critical to recruitment and retention efforts. The Task Force supports campus initiatives already in practice (*e.g. provision of transitional accommodation for employees; involvement in local planning ventures*), and acknowledges that local governments are beginning to examine housing affordability targets.

A variety of home ownership programs exist for college and university employees in other states. The Task Force suggests the Montana University System pursue the feasibility of any and all reasonable alternatives. Something researched by the Task Force is an option known as a second-mortgage, interest-only program. This type of program allows a home buyer who takes out a mortgage for the majority of the purchase price of a home to receive assistance from a second mortgage on the remainder of the purchase price, and only pay the interest on the second mortgage. The principal on the second mortgage must be repaid upon subsequent sale of the property.

The Task Force suggests further research of mortgage assistance concepts, including appropriate contacts with the Montana Board of Investments and other financial experts.

Research into rental housing assistance indicates that some campuses in other states own property occupied by employees. Because this is not an immediately viable option in the Montana University System, the Task Force also reviewed allowances related to housing and cost-of-living issues nationally (e.g. *the State of Wyoming's Employee Housing Assistance Policy*; *the military's Basic Allowance for Housing*; *the Federal Locality Rate*). Various non-economic or low-cost possibilities were also identified, including networking with local landlords for potential Montana University System employee preferences.

The Task Force recommends that any further study of assistance with housing costs include the examination of options for employees who rent houses and apartments.

On-campus child care:

The Task Force recommends that campuses consider the feasibility of on-campus child care for the children of campus employees.

The Task Force recognizes that child-care centers for children of college and university students are difficult to sustain as a self-sufficient operation, and some that once existed are no longer in operation. Regardless of whether efficiencies could be realized by adding employees as beneficiaries of on-campus child care, the Task Force believes this issue is an important part of an employer's ability to be "family friendly" and competitive in terms of recruitment and retention.

A high-quality child-care program at a competitive price, if located on or adjacent to campus, would be viewed as a benefit by employees who have children in day care. An increased benefit in this area would likely increase the employer's ability to recruit and retain employees. The Task Force recommends examination of innovative models of child care.

One example reviewed by the Task Force was the "state model" that exists in Helena for employees of Montana state government. State agencies in Helena contribute funds to lease a portion of a former elementary school in the Helena School District near the state Capitol complex. An experienced private child-care provider was selected, through competitive selection, to operate the day care program. The operation is a private business that does not have to pay toward the lease or toward any facility overhead costs. The fees charged to parents by the provider must be at a guaranteed competitive rate and go directly toward the provider's operational costs (*e.g., wages for child care workers, supplies, food, etc.*). The rates are not the lowest in town, but they are competitive, and employees value the day care center's proximity to the parents' workplace.

Support of Graduate Programs:

The Task Force recommends better support and visibility of graduate education.

The potential to be involved in graduate education at either the Ph.D. or master's level is attractive to many faculty, particularly junior faculty, and particularly faculty who are research active. The current perception is that graduate education is neither valued nor supported in Montana. Additional funding to support graduate assistants at a nationally competitive level would allow departments to more vigorously recruit students, also, additional graduate assistants would support faculty as they develop research programs through enabling decreased teaching loads, and other support mechanisms aimed at making tenure-track faculty successful at the retention and tenure-review points. A consistent source of funds at the campus level for equipment and technology purchases to support faculty activity would indicate support for graduate education and make the Montana University System a more attractive employer.

Summer session support:

The Task Force recommends maximum support and marketing of summer sessions.

The potential for faculty and staff to earn additional compensation in support of a vibrant summer session is attractive to potential employees. Summer is a wonderful time in Montana – it should be used as a recruitment tool for faculty, staff, and students. Providing departments incentives to offer summer courses would be productive for both the individual (*salary potential*) and the institution (*increased FTE generation*). Examples of ways to encourage offerings are: allow non-traditional scheduling of courses, offer innovative courses on a “just-in-time” basis, apply the tuition generated to covering the cost of the course, provide administrative/clerical support for summer offerings. A competitive program of summer research fellowships or awards (*of \$3,000 - \$5,000*) would be an added attraction for new faculty.

FACULTY, PROFESSIONALS, ADMINISTRATORS

Optional Retirement Program:

The Task Force recommends ongoing commitment to increasing the employer contribution in the Montana University System Optional Retirement Program (ORP).

Most faculty, administrators, and professionals hired under individual employment contracts are members of the Optional Retirement Program (ORP). This is a “defined-contribution” retirement plan in which the employee directs the investments and assumes all the risks. Faculty, administrators, and contract professionals, unlike most public employees, don’t get to choose between a defined-contribution plan and a traditional “defined-benefit” pension (*defined-benefit pays a guaranteed amount with no employee assumption of risk*). Until 2007, the employer’s contribution was an amount equal to 4.96% of the employee’s salary, but the Legislature passed and Governor signed a measure to increase the contribution to 5.96% of salary. Although still a relatively low amount, the Task Force appreciates this increase.

Prospective faculty, administrators, and professionals “shop and compare” when they are considering jobs. Retirement benefits are a significant part of an employment compensation package. Montana’s employer contribution of 5.96% of salary lags behind the average of about 9% in the Western states. The Task Force acknowledges the significance of the recent increase in the employer contribution, but recommends continued commitment toward increasing the benefit toward the 9% Western states average.

Faculty “start-up” packages:

The Task Force recommends increased support for competitive faculty start-up packages.

Start-up packages for new faculty members, especially in the science disciplines, have long been one of the expenses for hiring *(and retaining)* high quality professors. In recent years the required start-up packages have become increasingly expensive as the costs of lab renovation and equipment, summer salaries and travel support have gone up significantly. It is virtually impossible to hire a new science faculty member, at least at a university with research expectations, without making such start-up support available. While such support is less costly in other disciplines, funding for professional development, travel, and small pieces of equipment and software are now required in the humanities and social science disciplines. At institutions where research expectations are minimal, some support for relocation costs is expected by most new faculty members today. If our colleges and universities strive to hire and then retain high quality faculty members, they have to have resources available to provide such start-up support.

Merit Pay:

The Task Force recommends the use of merit pay as a supplement to general pay raises to encourage and support excellence in job performance.

The Task Force recognizes the importance of general pay raises that keep up with the cost of living, however, a reward system with incentives for remarkable achievement is also valuable. The concept of merit pay is also possible for support staff covered by the classified pay plan. The primary focus in this recommendation is on faculty, administrators, and contract professionals. Merit pay is subject to bargaining in a unionized workplace.

A question that is frequently posed during the hiring process by prospective faculty members and other professionals is whether their initial salary will necessarily "lock" them into a situation where their only means of achieving raises will be the annual salary increase or infrequent promotion. The institution has a much higher chance of answering that question satisfactorily, and thereby being able to hire the high quality questioner, if it can say that it also has a merit process whereby a faculty member or professional employee can "earn" additional salary increases by performing at a higher level than the normal expectations would require. It is also the case that higher performing faculty members and professionals have a greater chance of being hired away by other institutions if they cannot improve their salary situation through merit programs.

There are times when merit increases are not sufficient to retain excellent faculty members or professionals, especially when they receive an offer or are being courted by another institution and our institutions have little or no means to make counter offers. Consequently, in order to retain our "best and brightest," Montana universities and colleges must have sufficient market funds to make meaningful counter offers (*they don't always need to equal the other institution's offer*).

Clinical Track Appointments / non-tenure track faculty:

The Task Force recommends further development of special "clinical track" appointments for non-tenure track faculty in programs where clinicians are vital to teaching and learning.

Professional programs require a significant number of excellent clinicians in order to offer high quality clinical programs. These clinicians are currently hired, sometimes for many years, on annual adjunct appointments. These individuals often contribute in significant ways to the stability and governance of the professional program, for example, chairing committees, serving on graduate committees, etc. Clinical track positions are intended to be more sensitive to programmatic changes than are tenure-track positions. They do not lead to de-facto tenure.

The recent implementation of a limited number of three-year appointments has been helpful. Examples include, but are not limited to, faculty appointments in nursing at Montana State University and law at the University of Montana. There is not, however, a trajectory and a

developmental process for individuals in these non-tenure track appointments. The development of a non-tenure track series for faculty in professional disciplines recognizes the important instructional and service contributions of these individuals to the professional programs, maintains the degree of flexibility necessary for the professional program to meet changing professional expectations and demand, and sets a set of expectations and opportunities for advancement within that track. Clinical track appointments would be renewable, full-time, non-tenure earning, faculty appointments that could vary in length based upon rank. The clinical track would provide for advancement in rank, and would focus on clinical and classroom instruction.

An appointment, annual review, and renewal of appointment and promotion system similar to that established for tenure-track faculty would be based on a separate set of qualifications and performance expectations that emphasizes teaching in both the clinical and classroom setting, clinical scholarship related to practice, and service. These appointments could be supported in whole or in part by appropriated funds, grant funds, contract funds, or income from clinical practice plans, or from other sources. There would be a limit on the proportion of clinical track faculty members who have any part of their salary paid through appropriated funds (eg. no more than 45% of the budgeted full-time faculty positions in a college). Clinical track faculty supported wholly by grant or non-appropriated funds would not be included in this limit.

Partner Accommodation Policy:

The Task Force recommends campus-level planning and response for dealing with increasing expectations of prospective employees that spouse/partner accommodations be part of the recruitment package.

It is increasingly common in the hiring process to have top-notch candidates raise the issue, during the interview or after the job offer, of "spousal or partner accommodation." Some candidates will not accept the position unless a job can also be made available to the spouse/partner. Some universities now fund this benefit on a priority basis (*diversity, targeted groups, "must have" faculty members, hard-to-hire-for disciplines*). The opportunities available for spouses or partners need not always be a tenure-track position or full-time job. This issue can make or break the hiring of the selected candidate.

“Phased retirement”/post-retirement flexibility:

The Task Force recommends examination of post-retirement employment opportunities in the Montana University System for members of the Optional Retirement Program (ORP).

Most faculty members and contract professionals who retire from the Montana University System today are not enrolled in the Optional Retirement Program (ORP), but rather, are enrolled in the Teachers Retirement System (TRS) pension plan. Campuses that now employ retired faculty members or contract professionals on a part-time basis are familiar with the TRS statutes that limit the employee's salary to one-third of their pre-retirement salary. This limits most post-retirement arrangements to substantially less than half-time work.

In the future, most retiring faculty members and contract professionals will be members of the ORP instead of TRS. The ORP does not require the one-third salary limitation that TRS requires for post-retirement employment. Therefore, the Montana University System could exercise greater flexibility in future post-retirement situations. For example, if the system were to make such a policy decision, a campus could potentially employ a retired faculty member at a half-time salary, making the employee eligible for employer-paid health insurance (*a likely recruitment incentive*) while drawing ORP retirement benefits.

SUPPORT STAFF IN CLASSIFIED POSITIONS

Work opportunities for non-full-time staff:

The Task Force recommends that campuses ensure seasonal work opportunities are well communicated to part-time employees.

A significant number of support staff members in classified positions are not employed year-round. Examples include certain employees in food service and residence life, who are not required on campus over the summer. Additional opportunities for employees to earn income are likely to help with recruitment and retention. The Task Force recommends that if work is expected to be available on campus in the summer, (please also see the Task Force's recommendation for “summer session support”) the work opportunity be communicated internally to campus employees.

Training and mentoring:

The Task Force recommends a strong commitment to training and professional development.

Among the critical effects of the diminishing ability to recruit and retain good employees is the loss of institutional knowledge - something to which the MUS is particularly vulnerable because of its unique systems and policies. It is essential, especially in times of high turnover, to maintain a base of knowledge of the procedures and principles vital to the performance of the unit. In addition, it behooves the MUS to both attract and retain motivated and creative employees interested in career progression, and to provide for professional growth opportunities on our campuses. In the context of recruitment and retention, therefore, training, mentoring, and supervisory support may be considered inter-dependent. The Montana University System's competitiveness within local employment markets will benefit from the promotion of innovative programming, and from recognizing and strengthening each campus' unique niche and cultural identity. The Task Force recommends the pursuit and support of professional development, training, mentoring, and supervisor training needs and opportunities for all classified employees.

Flexible work schedules:

The Task Force recommends consideration of "non-traditional" work hours where desirable to the employee and beneficial to the employer's program.

Flexible schedules work best when meeting both the work unit's operational needs in providing efficient and effective services and the needs of employees in balancing work and personal life. A flexible schedule is one that is different from "regular office hours." Examples include an employee working from 7:30 a.m. to 4:30 p.m. in an office that is usually open from 8 a.m. to 5 p.m., or, an employee working four 10-hour days per week instead of five 8-hour days per week. Final decisions about flexible schedules remain with the manager; however, management should consider options that satisfy institutional or department objectives in balance with interests of the employee. Potential benefits are: enhanced recruitment and retention; less tardiness; better morale and productivity; less stress through the ability to better balance work and personal responsibilities. The Task Force recommends the promotion of life and work balance, maximizing benefits to the employer by considering flexible scheduling wherever appropriate.

SUBMITTED to the Commissioner of Higher Education and the Montana Board of Regents this 22nd day of August, 2007, by the following members of the Recruitment and Retention Task Force:

Doug Abbott, Vice Chancellor, Montana Tech
Elizabeth Nichols, Dean of Nursing, Montana State University (MSU)
Erik Burke, Public Policy Director, MEA-MFT
Gerald Fetz, Dean of Arts and Sciences, University of Montana (UM)
Mary Ellen Baukol, Associate Dean, Great Falls College of Technology
Quinton Nyman, Executive Director, Montana Public Employees Association
Rob Gannon, Human Resources Director, UM
Sara France, Classified Support Staff, MSU
Shannon Taylor, Faculty, MSU
Susan Alt, Human Resources Director, MSU
Terrie Iverson, Vice Chancellor, MSU-Billings
Kevin McRae, Labor Relations, Office of Commissioner of Higher Education

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Montana University System pay plan process:

The Task Force recommends pre-budget salary planning in the early stages of the executive budgeting process.

The Montana University System must work to ensure that campuses have adequate resources to provide competitive and adequate compensation levels to its employees. The Task Force, therefore, recommends that the Regents collect and consider specific compensation needs of the campuses in their budget development process, starting a full year prior to the Governor's biannual budget submission. This schedule would allow time for the Regents to consider whether to pursue specific pay initiatives through the budgeting process in collaboration with the Governor's Office. The process for soliciting statements of salary needs throughout the system could vary from "hearing" or "comment" opportunities at public meetings, to public discussions with campus executives, to submission of written statements or proposals for Regents' consideration, or to formal pre-budget deliberations with faculty and staff bargaining units. While the procedure could take a number of forms, it is recommended that such planning be initiated with the 2009-2010 biennial budgeting process.

By not engaging in pre-budget planning and discussion of salary needs in recent years, the Montana University System has simply accepted the legislative allocations made in accordance with the state pay plan – a plan that the university system has little or no capacity to effect. Because employee compensation represents over 80% of the Montana University System budget, the task force believes that continuing to allow compensation budgets to be established by "default" is unsustainable at best, and irresponsible at worst. For this reason, establishing a system of pre-budget salary planning is the Task Force's highest priority in addressing the recruitment and retention of system personnel and is essential to securing the needed resources.

The Task Force supports the use of external comparators in salary analysis for all occupational groups in the Montana University System.

This means the compensation levels offered by competing higher-education institutions are relevant considerations in trying to recruit and retain capable employees in the Montana system. Compensation data from private-sector employers, or public-sector employers outside the higher education system, may also be relevant in some salary analyses. Examples of private-sector comparators include employers with whom the Montana University System competes to hire faculty and other professionals in engineering, finance, economics, nursing, business, etc., and support staff generally. Examples of other public-sector employers include Montana school districts, state, county, and city governments who compete with the campuses to recruit and retain non-faculty professionals and support staff.

The Task Force supports system-wide efforts to address inversion and compression. Regardless of the compensation calendar issues and comparator issues noted above, the Task Force believes relief is needed from two conditions that stress the pay system and hurt employee morale. These two undesirable conditions are known as salary compression and salary inversion. Salary compression and inversion have a long-term effect of inhibiting an employer's ability to retain employees because these conditions are widely perceived as unfair. "Compression" means that market pressures have caused situations where new employees are hired at essentially the same salary levels as those earned by experienced, longer-term employees in comparable positions. Compression occurs with employees in most job groups (*administrative, faculty, non-faculty professional level, and support staff on the classified pay plan*). "Inversion" is similar to compression, but worse. Inversion occurs when market pressures cause newly hired employees to earn more than experienced, longer term employees in comparable positions. Inversion occurs most frequently with employees in faculty, administrative, and non-faculty professional level positions. Inversion is not yet a substantial problem with support staff positions on the classified pay plan.

Compression and/or inversion occur when the salary levels necessary to hire new employees in a competitive market have grown much faster than the pay raises that have been provided to senior faculty and staff over the past several years. Periodically, inversion pools have been negotiated whereby at least some faculty members whose salaries have been inverted by those of newer hires have been given a salary boost to "correct" the inversion. Unfortunately, if funding is not made available on a fairly regular basis, the problem reappears quickly.

Dependent partial tuition waiver:

The Task Force recommends the Regents consider increasing the benefit of the dependent partial tuition waiver for Montana University System employees.

The Task Force recognizes the considerable potential for an improved dependent partial tuition waiver to provide incentive within all categories of employees to apply, and remain, within the Montana University System. Regents policy currently provides a 50-percent undergraduate tuition waiver at a campus of the Montana University System for a dependent of an employee who has worked at least three-quarters time for at least five continuous years. Only one dependent per employee may use the waiver per academic term. An employee may not simultaneously use the staff tuition waiver that is available under a separate policy and have his or her dependent use a dependent waiver in the same academic term. The Task Force makes no specific recommendation for an increased benefit, however, options include: expanding the waiver to greater than 50 percent of tuition; expand to allow use by more than one dependent per employee at a time; expand to allow an employee to use a staff tuition waiver in the same academic term that his or her dependent uses a dependent waiver; expand eligibility by reducing the five-year waiting period and/or reducing the minimum three-quarter-time employment requirement.

Housing:

The Task Force recommends further examination of special programs to help employees purchase homes or pay initial rental costs.

House purchase prices in Montana have risen faster than the salaries of Montana University System employees over the past several years. Many rental markets are also impacted. Housing affordability varies regionally and is best studied by locality. Affordability is particularly pertinent when an employer's competitiveness is critically challenged by other local external factors (*e.g. extraordinarily high demand for labor, very few available workers, and employers offering increasingly attractive salaries, benefits, and other perks*). In such environments, the comparison of salaries to housing costs is all the more critical to recruitment and retention efforts. The Task Force supports campus initiatives already in practice (*e.g. provision of transitional accommodation for employees; involvement in local planning ventures*), and acknowledges that local governments are beginning to examine housing affordability targets.

A variety of home ownership programs exist for college and university employees in other states. The Task Force suggests the Montana University System pursue the feasibility of any and all reasonable alternatives. Something researched by the Task Force is an option known as a second-mortgage, interest-only program. This type of program allows a home buyer who takes out a mortgage for the majority of the purchase price of a home to receive assistance from a second mortgage on the remainder of the purchase price, and only pay the interest on the second mortgage. The principal on the second mortgage must be repaid upon subsequent sale of the property.

The Task Force suggests further research of mortgage assistance concepts, including appropriate contacts with the Montana Board of Investments and other financial experts.

Research into rental housing assistance indicates that some campuses in other states own property occupied by employees. Because this is not an immediately viable option in the Montana University System, the Task Force also reviewed allowances related to housing and cost-of-living issues nationally (e.g. *the State of Wyoming's Employee Housing Assistance Policy*; *the military's Basic Allowance for Housing*; *the Federal Locality Rate*). Various non-economic or low-cost possibilities were also identified, including networking with local landlords for potential Montana University System employee preferences.

The Task Force recommends that any further study of assistance with housing costs include the examination of options for employees who rent houses and apartments.

On-campus child care:

The Task Force recommends that campuses consider the feasibility of on-campus child care for the children of campus employees.

The Task Force recognizes that child-care centers for children of college and university students are difficult to sustain as a self-sufficient operation, and some that once existed are no longer in operation. Regardless of whether efficiencies could be realized by adding employees as beneficiaries of on-campus child care, the Task Force believes this issue is an important part of an employer's ability to be "family friendly" and competitive in terms of recruitment and retention.

A high-quality child-care program at a competitive price, if located on or adjacent to campus, would be viewed as a benefit by employees who have children in day care. An increased benefit in this area would likely increase the employer's ability to recruit and retain employees. The Task Force recommends examination of innovative models of child care.

One example reviewed by the Task Force was the "state model" that exists in Helena for employees of Montana state government. State agencies in Helena contribute funds to lease a portion of a former elementary school in the Helena School District near the state Capitol complex. An experienced private child-care provider was selected, through competitive selection, to operate the day care program. The operation is a private business that does not have to pay toward the lease or toward any facility overhead costs. The fees charged to parents by the provider must be at a guaranteed competitive rate and go directly toward the provider's operational costs (*e.g., wages for child care workers, supplies, food, etc.*). The rates are not the lowest in town, but they are competitive, and employees value the day care center's proximity to the parents' workplace.

Support of Graduate Programs:

The Task Force recommends better support and visibility of graduate education.

The potential to be involved in graduate education at either the Ph.D. or master's level is attractive to many faculty, particularly junior faculty, and particularly faculty who are research active. The current perception is that graduate education is neither valued nor supported in Montana. Additional funding to support graduate assistants at a nationally competitive level would allow departments to more vigorously recruit students, also, additional graduate assistants would support faculty as they develop research programs through enabling decreased teaching loads, and other support mechanisms aimed at making tenure-track faculty successful at the retention and tenure-review points. A consistent source of funds at the campus level for equipment and technology purchases to support faculty activity would indicate support for graduate education and make the Montana University System a more attractive employer.

Summer session support:

The Task Force recommends maximum support and marketing of summer sessions.

The potential for faculty and staff to earn additional compensation in support of a vibrant summer session is attractive to potential employees. Summer is a wonderful time in Montana – it should be used as a recruitment tool for faculty, staff, and students. Providing departments incentives to offer summer courses would be productive for both the individual (*salary potential*) and the institution (*increased FTE generation*). Examples of ways to encourage offerings are: allow non-traditional scheduling of courses, offer innovative courses on a “just-in-time” basis, apply the tuition generated to covering the cost of the course, provide administrative/clerical support for summer offerings. A competitive program of summer research fellowships or awards (*of \$3,000 - \$5,000*) would be an added attraction for new faculty.

FACULTY, PROFESSIONALS, ADMINISTRATORS

Optional Retirement Program:

The Task Force recommends ongoing commitment to increasing the employer contribution in the Montana University System Optional Retirement Program (ORP).

Most faculty, administrators, and professionals hired under individual employment contracts are members of the Optional Retirement Program (ORP). This is a “defined-contribution” retirement plan in which the employee directs the investments and assumes all the risks. Faculty, administrators, and contract professionals, unlike most public employees, don’t get to choose between a defined-contribution plan and a traditional “defined-benefit” pension (*defined-benefit pays a guaranteed amount with no employee assumption of risk*). Until 2007, the employer’s contribution was an amount equal to 4.96% of the employee’s salary, but the Legislature passed and Governor signed a measure to increase the contribution to 5.96% of salary. Although still a relatively low amount, the Task Force appreciates this increase.

Prospective faculty, administrators, and professionals “shop and compare” when they are considering jobs. Retirement benefits are a significant part of an employment compensation package. Montana’s employer contribution of 5.96% of salary lags behind the average of about 9% in the Western states. The Task Force acknowledges the significance of the recent increase in the employer contribution, but recommends continued commitment toward increasing the benefit toward the 9% Western states average.

Faculty “start-up” packages:

The Task Force recommends increased support for competitive faculty start-up packages.

Start-up packages for new faculty members, especially in the science disciplines, have long been one of the expenses for hiring (*and retaining*) high quality professors. In recent years the required start-up packages have become increasingly expensive as the costs of lab renovation and equipment, summer salaries and travel support have gone up significantly. It is virtually impossible to hire a new science faculty member, at least at a university with research expectations, without making such start-up support available. While such support is less costly in other disciplines, funding for professional development, travel, and small pieces of equipment and software are now required in the humanities and social science disciplines. At institutions where research expectations are minimal, some support for relocation costs is expected by most new faculty members today. If our colleges and universities strive to hire and then retain high quality faculty members, they have to have resources available to provide such start-up support.

Merit Pay:

The Task Force recommends the use of merit pay as a supplement to general pay raises to encourage and support excellence in job performance.

The Task Force recognizes the importance of general pay raises that keep up with the cost of living, however, a reward system with incentives for remarkable achievement is also valuable. The concept of merit pay is also possible for support staff covered by the classified pay plan. The primary focus in this recommendation is on faculty, administrators, and contract professionals. Merit pay is subject to bargaining in a unionized workplace.

A question that is frequently posed during the hiring process by prospective faculty members and other professionals is whether their initial salary will necessarily "lock" them into a situation where their only means of achieving raises will be the annual salary increase or infrequent promotion. The institution has a much higher chance of answering that question satisfactorily, and thereby being able to hire the high quality questioner, if it can say that it also has a merit process whereby a faculty member or professional employee can "earn" additional salary increases by performing at a higher level than the normal expectations would require. It is also the case that higher performing faculty members and professionals have a greater chance of being hired away by other institutions if they cannot improve their salary situation through merit programs.

There are times when merit increases are not sufficient to retain excellent faculty members or professionals, especially when they receive an offer or are being courted by another institution and our institutions have little or no means to make counter offers. Consequently, in order to retain our "best and brightest," Montana universities and colleges must have sufficient market funds to make meaningful counter offers (*they don't always need to equal the other institution's offer*).

Clinical Track Appointments / non-tenure track faculty:

The Task Force recommends further development of special "clinical track" appointments for non-tenure track faculty in programs where clinicians are vital to teaching and learning.

Professional programs require a significant number of excellent clinicians in order to offer high quality clinical programs. These clinicians are currently hired, sometimes for many years, on annual adjunct appointments. These individuals often contribute in significant ways to the stability and governance of the professional program, for example, chairing committees, serving on graduate committees, etc. Clinical track positions are intended to be more sensitive to programmatic changes than are tenure-track positions. They do not lead to de-facto tenure.

The recent implementation of a limited number of three-year appointments has been helpful. Examples include, but are not limited to, faculty appointments in nursing at Montana State University and law at the University of Montana. There is not, however, a trajectory and a

developmental process for individuals in these non-tenure track appointments. The development of a non-tenure track series for faculty in professional disciplines recognizes the important instructional and service contributions of these individuals to the professional programs, maintains the degree of flexibility necessary for the professional program to meet changing professional expectations and demand, and sets a set of expectations and opportunities for advancement within that track. Clinical track appointments would be renewable, full-time, non-tenure earning, faculty appointments that could vary in length based upon rank. The clinical track would provide for advancement in rank, and would focus on clinical and classroom instruction.

An appointment, annual review, and renewal of appointment and promotion system similar to that established for tenure-track faculty would be based on a separate set of qualifications and performance expectations that emphasizes teaching in both the clinical and classroom setting, clinical scholarship related to practice, and service. These appointments could be supported in whole or in part by appropriated funds, grant funds, contract funds, or income from clinical practice plans, or from other sources. There would be a limit on the proportion of clinical track faculty members who have any part of their salary paid through appropriated funds (eg. no more than 45% of the budgeted full-time faculty positions in a college). Clinical track faculty supported wholly by grant or non-appropriated funds would not be included in this limit.

Partner Accommodation Policy:

The Task Force recommends campus-level planning and response for dealing with increasing expectations of prospective employees that spouse/partner accommodations be part of the recruitment package.

It is increasingly common in the hiring process to have top-notch candidates raise the issue, during the interview or after the job offer, of "spousal or partner accommodation." Some candidates will not accept the position unless a job can also be made available to the spouse/partner. Some universities now fund this benefit on a priority basis (*diversity, targeted groups, "must have" faculty members, hard-to-hire-for disciplines*). The opportunities available for spouses or partners need not always be a tenure-track position or full-time job. This issue can make or break the hiring of the selected candidate.

“Phased retirement”/post-retirement flexibility:

The Task Force recommends examination of post-retirement employment opportunities in the Montana University System for members of the Optional Retirement Program (ORP).

Most faculty members and contract professionals who retire from the Montana University System today are not enrolled in the Optional Retirement Program (ORP), but rather, are enrolled in the Teachers Retirement System (TRS) pension plan. Campuses that now employ retired faculty members or contract professionals on a part-time basis are familiar with the TRS statutes that limit the employee's salary to one-third of their pre-retirement salary. This limits most post-retirement arrangements to substantially less than half-time work.

In the future, most retiring faculty members and contract professionals will be members of the ORP instead of TRS. The ORP does not require the one-third salary limitation that TRS requires for post-retirement employment. Therefore, the Montana University System could exercise greater flexibility in future post-retirement situations. For example, if the system were to make such a policy decision, a campus could potentially employ a retired faculty member at a half-time salary, making the employee eligible for employer-paid health insurance (*a likely recruitment incentive*) while drawing ORP retirement benefits.

SUPPORT STAFF IN CLASSIFIED POSITIONS

Work opportunities for non-full-time staff:

The Task Force recommends that campuses ensure seasonal work opportunities are well communicated to part-time employees.

A significant number of support staff members in classified positions are not employed year-round. Examples include certain employees in food service and residence life, who are not required on campus over the summer. Additional opportunities for employees to earn income are likely to help with recruitment and retention. The Task Force recommends that if work is expected to be available on campus in the summer, (please also see the Task Force's recommendation for “summer session support”) the work opportunity be communicated internally to campus employees.

Training and mentoring:

The Task Force recommends a strong commitment to training and professional development.

Among the critical effects of the diminishing ability to recruit and retain good employees is the loss of institutional knowledge - something to which the MUS is particularly vulnerable because of its unique systems and policies. It is essential, especially in times of high turnover, to maintain a base of knowledge of the procedures and principles vital to the performance of the unit. In addition, it behooves the MUS to both attract and retain motivated and creative employees interested in career progression, and to provide for professional growth opportunities on our campuses. In the context of recruitment and retention, therefore, training, mentoring, and supervisory support may be considered inter-dependent. The Montana University System's competitiveness within local employment markets will benefit from the promotion of innovative programming, and from recognizing and strengthening each campus' unique niche and cultural identity. The Task Force recommends the pursuit and support of professional development, training, mentoring, and supervisor training needs and opportunities for all classified employees.

Flexible work schedules:

The Task Force recommends consideration of "non-traditional" work hours where desirable to the employee and beneficial to the employer's program.

Flexible schedules work best when meeting both the work unit's operational needs in providing efficient and effective services and the needs of employees in balancing work and personal life. A flexible schedule is one that is different from "regular office hours." Examples include an employee working from 7:30 a.m. to 4:30 p.m. in an office that is usually open from 8 a.m. to 5 p.m., or, an employee working four 10-hour days per week instead of five 8-hour days per week. Final decisions about flexible schedules remain with the manager; however, management should consider options that satisfy institutional or department objectives in balance with interests of the employee. Potential benefits are: enhanced recruitment and retention; less tardiness; better morale and productivity; less stress through the ability to better balance work and personal responsibilities. The Task Force recommends the promotion of life and work balance, maximizing benefits to the employer by considering flexible scheduling wherever appropriate.

SUBMITTED to the Commissioner of Higher Education and the Montana Board of Regents this 22nd day of August, 2007, by the following members of the Recruitment and Retention Task Force:

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